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December 1, 2004

Via Overnight Courier

Werner Wenning, Chairman,
Bayer AG
D51368 Leverkusen
Leverkusen, Germany 51368

Dear Mr. Wenning:

I am writing to you on behalf of the California Public Employees' Retirement System (CalPERS), the nation's largest public pension fund, and a long-term shareowner in your company, Bayer.

Obviously, as a long-term holder we are deeply concerned over the recent events involving Baycol and the allegations that the Company was slow to inform the government that this drug may have been riskier than comparable drugs. Our concern stems not only from the specific circumstances of this drug, but more significantly from the greater implications for the industry and of course our investment in Bayer.

On the first level, we find the accusations that the Company had reason to believe that Baycol may have potential safety concerns as much as a year prior to warning doctors and patients, yet failed to disclose this information, deeply troubling. Should this be the case, it raises serious questions regarding the ability of the industry to effectively address the conflict of interest inherent in its business between safety and profitability.

Secondly, it is our belief that the board, as well as senior management, have a responsibility above and beyond the scrutiny of the regulatory process to protect and enhance shareowner value over the long-term. Merck as an example has lost more than a third of its market value in the short period since the Vioxx issue surfaced. It is clear that at least some portion of this value destruction is related to lost confidence, separate and distinct from the specific safety issues.

In light of these issues, CalPERS requests that you address the following:

- (1) What steps are you taking to examine the internal processes at Bayer to ensure that similar situations do not occur? We request that you specifically address the issue of continued focus on the safety of existing drugs and how you address the conflict inherent in your business between long-term product safety and short-term profitability; and
- (2) What steps Bayer is taking to ensure shareowner value and market confidence in the wake of a pending criminal investigation? It goes without saying that we consider the larger issues of confidence and trust to be critical in responding to this situation and are looking for significant steps from the Company in this regard.

We are requesting a written response to these two questions. Please send your responses to William Sherwood-McGrew, Portfolio Manager, Corporate Governance at the address listed below. Questions can also be directed to Mr. McGrew at (916) 795-2431.

William Sherwood-McGrew
CalPERS Corporate Governance Program
400 P Street
Sacramento, California 95814
Bill_mcgrew@calpers.ca.gov

We appreciate your attention to this request and look forward to your reply.

Sincerely,

Mark Anson

cc: Sean Harrigan, President, CalPERS Board of Administration
Rob Feckner, Chairman, CalPERS Investment Committee
Fred Buenrostro, Chief Executive Officer, CalPERS